

PROVINCE OF SASKATCHEWAN



**2007**

**ANNUAL REPORT**

**EXTENDED HEALTH CARE PLAN FOR  
RETIRED EMPLOYEES**



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## Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Sir:

### **Letter of Transmittal**

I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

Rod Gantefoer  
Minister of Finance

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## Letter of Transmittal

The Honourable Rod Gantefoer  
Minister of Finance  
Regina, Saskatchewan

Sir:

### Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2007.

Respectfully submitted,



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

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## Extended Health Care Plan For Retired Employees

### Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2007, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

### Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Children's Advocate (Office of the)  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Milk Control Board  
Ombudsman (Office of the)  
Prairie Diagnostic Services  
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public*

*Service Act, 1998*  
Saskatchewan Archives Board  
Saskatchewan Municipal Board

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

### Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Group Medical Services provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the new two year contract effective January 1, 2008:

Single	\$14.00	per month
Couple	\$28.00	per month
Family	\$35.00	per month

Under the two year contract which expired December 31, 2007 the monthly premium subsidy was as follows:

Single	\$12.00	per month
Couple	\$24.00	per month
Family	\$30.00	per month

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## Funding

Effective October 1, 2002 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll. For the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to \$1,013,682.

## Benefits

All PS/GE SGEU employees meeting the Definition of a Retiree are eligible to enroll in plan.

### Definition of Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

- a) ceases to be employed in the bargaining unit;

- b) is age 50 or more when employment ceases;
- c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with ministries, boards, commissions, and other agencies covered by Article 2 of the Collective Agreement;
- d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;
- e) was enrolled and participating in the Extended Health Care Plan for employees at the time of termination/retirement; and
- f) was not terminated for cause.

Claims are paid on behalf of eligible family members and cover certain health and vision care benefits.

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## Management's Report

To the Members of the Legislative Assembly of Saskatchewan

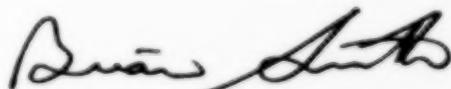
As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan for Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 28, 2008

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## **Extended Health Care Plan For Retired Employees**

### **Financial Statements**

**Year Ended December 31, 2007**

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## Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan for Retired Employees as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA  
Provincial Auditor

Regina, Saskatchewan  
February 28, 2008

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**Extended Health Care Plan For Retired Employees**  
**Statement of Financial Position**

**Statement 1**

**As At December 31**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Due from General Revenue Fund (Note 3)	\$ 114,586	\$ 323,035
Short-term investments (Note 4)	3,929,271	2,571,946
Employer contributions receivable	92,014	83,664
Accrued interest income	-	19,445
	<u>4,135,871</u>	<u>2,998,090</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	3,945	1,577
Net assets (Statement 2)	<u>\$4,131,926</u>	<u>\$2,996,513</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Retired Employees  
Statement of Operations and Net Assets**

**Statement 2**

**For The Year Ended December 31**

	<b>2007</b>		<b>2006</b>
	<b>Budget</b> (Note 7)	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Employer contributions (Note 1)	\$1,149,000	\$1,194,787	\$1,093,349
Interest income (Notes 3 & 4)	141,000	151,571	97,468
	<u>1,290,000</u>	<u>1,346,358</u>	<u>1,190,817</u>
<b>EXPENSES</b>			
Insurance premium subsidy	185,500	188,970	157,932
Administration (Note 6)	32,067	21,975	25,799
	<u>217,567</u>	<u>210,945</u>	<u>183,731</u>
Surplus for the year	1,072,433	1,135,413	1,007,086
NET ASSETS, BEGINNING OF YEAR	<u>2,996,513</u>	<u>2,996,513</u>	<u>1,989,427</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$4,068,946</u>	<u>\$4,131,926</u>	<u>\$2,996,513</u>

(See accompanying notes to the financial statements)

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**Extended Health Care Plan For Retired Employees  
Statement of Cash Flows**

**Statement 3**

For The Year Ended December 31

	<b>2007</b>	<b>2006</b>
<b>Cash flows from (used in) operating activities:</b>		
Employer contributions received	\$ 1,186,437	\$1,089,581
Interest income received	140,387	78,023
Insurance premium subsidies paid	(188,970)	(157,932)
Administration expenses paid	(19,607)	(29,692)
<b>Cash flows from operating activities</b>	<u>1,118,247</u>	<u>979,980</u>
<b>Cash flows from (used in) investing activities:</b>		
Purchase of investments	(13,725,361)	(9,524,097)
Proceeds from disposal of investments	12,398,665	6,952,151
<b>Cash flows used in investing activities:</b>	<u>(1,326,696)</u>	<u>(2,571,946)</u>
Net decrease in due from General Revenue Fund	(208,449)	(1,591,966)
 <b>DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR</b>	 <u>323,035</u>	 <u>1,915,001</u>
<b>DUE FROM GENERAL REVENUE FUND, END OF YEAR</b>	<u>\$ 114,586</u>	<u>\$ 323,035</u>

(See accompanying notes to the financial statements)

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## **Extended Health Care Plan For Retired Employees**

### **Notes to the Financial Statements**

**December 31, 2007**

#### **1. Description of the Plan**

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600-3 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible retirees with extended health coverage that expired on December 31, 2007. A new 2 year agreement effective January 1, 2008 has been negotiated with GMS. The retirees are responsible to pay GMS the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to GMS for eligible retired PS/GE SGEU members. The monthly premium subsidy for the year was \$12.00 for a single policy, \$24.00 for a couple policy and \$30.00 for a family policy. Effective January 1, 2008 the monthly premium subsidy increased to \$14.00 for a single policy, \$28.00 for a couple policy and \$35.00 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25% of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

#### **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

**a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

**b) Interest Revenue**

Interest is recognized as income when earned.

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c) Financial Instruments

Effective, January 1, 2007, the Plan adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 -Financial Instruments-Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The Plan's financial instruments and their classification are as follows:

Financial Instrument	Classification
Due from General Revenue Fund	Held for trading
Employer contributions receivable	Loans and receivables
Short-term investments	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

This change in accounting policy did not have a significant impact on the Plan's financial statements at the time of adoption.

d) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2007 was 4.26% (2006 – 3.95%).

4. Short-Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 3.9% to 4.8% (2006 - 4.2% to 4.3%) and an average remaining term to maturity of 49 (2006 – 41) days. Investments are purchased through the Treasury and Debt Management Branch of the

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Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

#### **5. Financial Instruments Risks**

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

#### **6. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2007, PEBA charged the Plan \$21,975 (2006 – \$25,799) for administration expenses. Included in accounts payable and accrued liabilities is \$3,945 (2006 – \$1,577) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

#### **7. Budget**

PEBA prepares the budget for approval by the Joint Board of Trustees.



